Power Corporation Superannuation Plan

Financial Statements

December 31, 2000

AUDITORS' REPORT

To the Members of the Legislative
Assembly of Saskatchewan

We have audited the statement of net assets available for benefits of the Power Corporation Superannuation Plan as at December 31, 2000 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 2000, and the results of its operations and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in Canada.

Ernst & Young LLP

Regina, Canada
March 1, 2001

Chartered Accountants

POWER CORPORATION SUPERANNUATION PLAN

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

As at December 31

(in thousands)

	2000	1999
ASSETS		
Investments, at market (Schedule)		
Short-term securities	$ 80,027	$ 83,516
Bonds	315,100	278,045
Equities	332,510	331,605
Mortgages	699	725
Real estate	-	7,670
	728,336	701,561
Receivables		
Employees' contributions	53	65
Sponsors' contributions	50	56
Accrued investment income	5,369	3,360
Other receivables	-	16
	5,472	3,497
Cash	(400)	3,538
TOTAL ASSETS	733,408	708,596
LIABILITIES		
Accounts payable	934	1,212
NET ASSETS AVAILABLE FOR BENEFITS	$732,474	$707,384

On behalf of the Board:

William P. Hyde, Chair

Pat Hall, Board Member

See accompanying notes

POWER CORPORATION SUPERANNUATION PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

For the year ended December 31

(in thousands)

	2000	1999
INCREASE IN NET ASSETS		
Investment Income		
Interest		
Short-term securities	$ 5,686	$ 4,133
Bonds (Note 6)	18,298	17,155
Mortgages	55	57
	24,039	21,345
Dividends	7,563	5,037
Real estate income (Note 6)	456	637
	32,058	27,019
Increase in Market Values of Investments	30,279	51,068
Contributions		
Employees'	1,949	1,919
Sponsors'	546	560
Transfers	-	180
	2,495	2,659
Increase in Net Assets	64,832	80,746
DECREASE IN NET ASSETS		
Superannuation Allowances	37,719	37,367
Refunds on Terminations	230	429
Administrative Expenses (Notes 6 and 7)	1,793	1,547
Decrease in Net Assets	39,742	39,343
INCREASE IN NET ASSETS	25,090	41,403
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	707,384	665,981
NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR	$732,474	$707,384

See accompanying notes

POWER CORPORATION SUPERANNUATION PLAN

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2000

1. DESCRIPTION OF PLAN

The following description of The Power Corporation Superannuation Plan (the Plan) is a summary only. For more complete information, reference should be made to *The Power Corporation Superannuation Act*, *The Superannuation (Supplementary Provisions) Act* and *The Superannuation Acts Uniform Regulations.*

a) General

The Plan is a defined benefit pension plan maintained by Saskatchewan Power Corporation (the Corporation) for those employees who were hired prior to October 1, 1977 and who did not elect to transfer to the Public Employees Pension Plan (formerly called the Public Employees (Government Contributory) Superannuation Plan), a defined contribution plan, before October 1, 1978. The Plan is administered by a seven-person Board appointed by the Lieutenant-Governor in Council.

b) Members' Contributions

Plan members contribute a percentage of their salary, at a rate based on their age when they became a contributor to the Plan following their most recent date of employment, and any agreements for an employee group, less a reduction for Canada Pension Plan contributions.

An employee makes no further contributions after 35 years of pensionable service.

c) Retirement Allowances

The Plan provides an unreduced retirement allowance at age 65 with at least 5 years pensionable service, at age 60 with at least 20 years pensionable service, or upon completion of 35 years pensionable service.

Retirement allowances are based on 2% of the best five-year average salary multiplied by the years of pensionable service, up to a maximum of 35 years. At age 65, the retirement allowance is reduced due to integration with the Canada Pension Plan from January 1, 1966.

Employees may retire with a reduced retirement allowance at age 55 with at least 30 years pensionable service, or at age 60 with at least 15 years pensionable service.

1. DESCRIPTION OF PLAN (continued)

The Lieutenant-Governor in Council may increase retirement allowances up to the annual rate of increase in the Consumer Price Index. The Plan increases are based upon the average of the Consumer Price Index for Saskatoon and Regina in the preceding year.

d) Survivors' Allowances

Death benefits are available to a qualifying surviving spouse in the form of a survivor allowance. A qualifying surviving spouse is the spouse at the time of retirement. The retirement allowance paid to the spouse will be based upon the member's selection at retirement.

Members may select the basic allowance that will pass 60% of the retirement allowance that they received to their spouse. Effective June 25, 1996, for death prior to age 65, the surviving spouse will receive 60% of the deceased member's lifetime retirement allowance, plus 60% of the amount due to Canada Pension Plan integration until the member would have turned age 65.

Alternatively, members may select the 100% option. This is an option to commence a reduced allowance in order to pass the same allowance to the surviving spouse upon death of the member. The spouse will receive the same lifetime retirement allowance, plus the same amount due to Canada Pension Plan integration, until the member would have turned age 65.

Additional survivor benefits for dependent children may apply.

If no one is eligible to receive a survivor's allowance from the Plan, then the total of the member's contributions, plus legislated interest, less any retirement allowances paid up to the member's time of death, will be paid to the member's estate.

1. DESCRIPTION OF PLAN (continued)

e) Deferred Allowances

An employee who is at least 30 years of age and has at least 10 years continuous pensionable service may elect to receive a deferred allowance upon ceasing employment with the Corporation.

Subject to re-employment limitations pursuant to *The Superannuation (Supplementary Provisions) Act*, the earliest that a deferred member with at least 10 years pensionable service and up to 20 years pensionable service may commence a retirement allowance, is at age 65. The earliest that a deferred member with greater than 20 years pensionable service may commence a retirement allowance, is at age 60.

f) Refunds and Transfers

Upon ceasing employment with the Corporation, prior to becoming eligible to receive an unreduced retirement allowance, Plan members may elect to receive a refund of their contributions plus legislated interest as: a lump sum payment less statutory deductions, a transfer to their registered retirement savings plan, or a transfer pursuant to the terms of an existing reciprocal agreement to another registered pension plan. Members, or their family, who elect a refund whether by lump sum payment or transfer have no further claim to the Plan.

g) Other Benefits

Under certain circumstances, members may purchase additional credited service in the Plan.

h) Income Taxes

The Plan is a registered pension plan as defined in *The Income Tax Act* and is not subject to income taxes. Retirement allowances paid from the Plan are subject to source deductions that are withheld by SaskPower and remitted to Canada Customs and Revenue Agency.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting principles generally accepted in Canada. The following policies are considered to be significant:

a) Basis of Presentation

These financial statements present the financial position and results of operations of the Plan as a separate financial reporting entity independent of the Corporation and Plan members.

b) Investments

Investments are recorded as of the trade date and are stated at fair value. Fair value is the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing partners who are under no compulsion to act.

Bonds and equities are valued using year-end market quotations. Mortgages are valued at cost, which approximates market. Real estate valuations are based on appraisals of the individual properties performed at least triennially. Short-term securities are valued at cost, which approximates market.

c) Investment Income

Investment income consists of interest on bonds, short-term securities and mortgages which is recognized as it accrues, dividend income which is recognized as of the ex-dividend date and rental income which is recognized net of expenses on an accrual basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Foreign Exchange

Foreign investment purchases, sales, and income are recorded in Canadian dollars at exchange rates in effect at the transaction date. Foreign-denominated investments and accrued investment income are translated at year-end exchange rates. The unrealized gains and losses arising from this translation are included in the statement of changes in net assets available for benefits as part of the increase in market value of investments.

3. INVESTMENTS

The investment objectives of the Plan are to ensure the Plan has sufficient assets to meet future pension obligations and to generate sufficient cash flow to meet pension payments. Due to the long-term horizon of the Plan's liabilities, the Plan takes a long-term investment perspective. The strategy employed to achieve these objectives is to invest cash flows from contributions, maturing bonds and investment returns into a diversified pool of assets such as Canadian and foreign equities, money market securities and bonds.

a) Interest Rate Risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Plan's assets and liabilities.

The value of the Plan's assets is affected by short-term changes in nominal interest rates and equity markets.

b) Credit Risk

Credit risk arises from the potential for an investee or for a counterparty to default on its contractual obligation to the Plan. The Plan limits the credit risk by dealing with counterparties that are considered to be high quality. The credit ratings used to describe the following securities are based on the Dominion Bond Rating Service.

3. INVESTMENTS (continued)

Short - Term Securities

The Plan invests in short-term securities that have an R1 or equivalent rating. At December 31, 2000, the Plan held Canadian dollar denominated investments of $11 million (1999 - $12 million) maturing within 2 to 256 days (1999 - 4 to 202 days) at yields of 4.7% to 5.8% (1999 - 4.6% to 5.3%) and U.S. dollar denominated investments of $69 million (1999 - $71 million) maturing within 2 to 72 days (1999 - 39 to 70 days) at yields of 5.5% to 6.5% (1999 - 5.6% to 5.9%).

The U.S. dollar denominated investments are part of an indexing strategy to earn investment returns based on the S&P 500 Index using S&P 500 Index futures.

At December 31, 2000, the Plan's notional amount of futures contracts was $69 million ($46 U.S. million). At December 31, 1999, the Plan's notional amount of futures contracts was $73 million ($50 U.S. million). Notional amounts are not recorded as assets or liabilities in the financial statements. They represent the amount to which a rate or price is applied to determine the amount of cash flows to be exchanged.

Exposure to credit risk is limited as these transactions are standardized contracts executed on established exchanges. The futures contracts are accounted for at market value adjusted daily and gains or losses are included in the increase in market value of investments.

Bonds

The Plan invests in bonds, considered to be high quality, as follows:

POWER CORPORATION SUPERANNUATION PLAN

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2000

3. INVESTMENTS (continued)

Bonds	Years to Maturity	2000 Credit Rating	2000 (000's) Market Value	2000 Average Yield (%)	1999 Credit Rating	1999 (000's) Market Value	1999 Average Yield (%)
FEDERAL BONDS							
Government of Canada		AAA			AAA		
	1-5		$ 99,127	6.29		$ 35,790	6.01
	6-10		37,457	7.10		45,998	6.27
	11-15		11,459	7.85		33,443	6.29
	20+		30,481	6.22		47,086	6.14
Federally Guaranteed		AAA			AAA		
	1-5		-	-		3,898	6.33
	6-10		8,645	6.13		1,347	6.50
			187,169			167,562	
PROVINCIAL AND PROVINCIALLY GUARANTEED BONDS							
British Columbia	6-10	AA (low)	6,644	5.39	AA (low)	5,609	6.58
	11-15		805	8.50		-	-
	20+		11,343	6.06		8,385	6.80
Manitoba	1-5	A (med)	4,601	6.86	A	4,271	6.48
	6-10		3,248	5.60		3,403	6.61
	16-20		805	5.50		-	-
New Brunswick	1-5	A (med)	565	8.75		-	-
	6-10		-	-	A	554	6.54
	16-20		3,067	6.00		2,836	6.80
Newfoundland	20+	BBB (med)	703	6.55		-	-
Nova Scotia	6-10	BBB (high)	1,647	6.40		-	-
Ontario	1-5	AA (low)	11,484	5.71	AA (low)	11,909	6.37
	6-10		7,251	7.43		7,307	6.54
	20+		3,718	7.56		6,089	6.74
Quebec	1-5	A (low)	1,346	6.50	A (low)	1,298	6.42
	6-10		1,042	6.50		1,320	6.69
	11-15		1,081	6.50		-	-
	20+		4,669	6.00		4,271	6.92
Saskatchewan	6-10	A (low)	3,336	5.62	A (low)	3,253	6.61
	20+		485	5.75		-	
			67,840			60,505	
CORPORATE BONDS		AAA-BBB			AA-BBB		
	1-5		18,690	6.29		17,528	6.28
	6-10		26,345	6.68		17,560	6.87
	11-15		8,965	6.93		2,245	6.74
	16-20		1,012	6.80		4,893	7.57
	20+		5,079	6.23		7,752	7.21
			60,091			49,978	
Total Bonds			$315,100			$278,045	

3. INVESTMENTS (continued)

Equities

The Plan's equity investments are held as portfolio investments and are generally readily marketable. Investments are generally limited to stocks that are publicly traded on a recognized securities market.

c) Foreign Currency Risk

Foreign currency exposure arises from the Plan's holdings of foreign equities and U.S. dollar denominated short-term securities.

	Investments		% of Plan Investments	
	2000	1999	2000	1999
Canadian short-term securities denominated in U.S. dollars (1)	$ 68,953	$ 71,396	9.5	10.2
Foreign Equities:				
International Equities (2)	67,863	72,926	9.3	10.4
Non-North American Fund (3)	69,532	86,880	9.5	12.4
Total Foreign Equities	137,395	159,806		
Total Foreign Currency Exposure	$206,348	$231,202	28.3	33.0

(1) These investments are part of an indexing strategy for which Newcastle Capital Management Inc. was retained to manage. The intent of the indexing strategy is to replicate the S&P 500 Index total returns.

(2) Templeton Management Limited was retained to invest Plan assets in international equities on a segregated basis.

(3) These assets are pooled equity funds and are part of the Greystone Capital Management Inc. (GCMI) mandate. GCMI has delegated the management of these funds to Vontobel.

POWER CORPORATION SUPERANNUATION PLAN

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2000

4. OBLIGATIONS FOR PENSION BENEFITS

The present value of accrued pension benefits is determined using the projected benefit method prorated on service and reflects management's best estimates of future investment performance, wage and salary escalation, age at retirement and future pension indexing up to the rate of inflation. An actuarial valuation for accounting purposes was prepared as of September 30, 2000, by Aon Consulting Inc. and was then extrapolated to December 31, 2000.

The actuarial present value of accrued pension benefits is deducted from the net assets available for benefit to calculate the actuarial surplus. The actuarial present value of accrued pension benefits as at December 31 and the principal components of changes in actuarial present values during the year are as follows:

(in thousands)

	2000	1999
Actuarial Present Value Of Accrued Pension Benefits		
Balance, beginning of year	**$633,477**	$610,050
Interest accrued on benefits	**41,587**	40,900
Benefits paid	**(37,949)**	(37,796)
Changes in actuarial assumptions	**(18,717)**	-
Experience losses and other	**5,498**	13,985
Benefits accrued	**6,537**	6,338
Balance, end of year	**630,433**	633,477
Net Assets Available for Benefit	**732,474**	707,384
Actuarial Surplus (1)	**$102,041**	$ 73,907

(1) The actuarial surplus is based on the value of net assets available for benefit and estimated pension liabilities as at December 31 of each year and does not take into account any estimate for future pension liabilities that might accrue as a result of future years of pensionable service.

4. OBLIGATIONS FOR PENSION BENEFITS (continued)

The assumptions used in determining the actuarial value of accrued pension benefits were:

	2000	1999
Discount rate	6.75%	6.75%
Expected rate of return on plan assets	7.60%	6.75%
Inflation	2.25%	2.00%
Rate of compensation increases	2.75%	2.50%
Remaining service life (years)	7.92	8.51

The current year and previous year valuations assume pensions will be indexed in the future by the Lieutenant-Governor in Council at 50% of the annual rate of increase in the Consumer Price Index (CPI).

If future pensions are indexed at 40% of the annual rate of increase in the CPI, the actuarial present value of benefits would decrease from $630 million to $613 million. With future pension indexing at 60% of the rate of increase in the CPI, the actuarial present value of benefits would increase to $649 million.

Pension liabilities are exposed to the long-term expectation of rate of return on the investments as well as expectations of inflation and salary escalation. As at December 31, 2000, assuming constant inflation and salary escalation assumptions, a 0.5% change in the discount rate would result in a change in the pension liabilities of approximately 5.3%.

5. FUNDING POLICY

In accordance with *The Power Corporation Superannuation Act*, the Corporation contributes such amounts as are necessary to fund the payments provided by the Plan. Some Plan members are employees of other corporations that have been designated by the Lieutenant-Governor in Council as institutions; these corporations make contributions equal to their employees' contributions in accordance with *The Superannuation (Supplementary Provisions) Act*.

6. RELATED PARTY TRANSACTIONS

a) Administration

As indicated in Note 7 certain administration costs are paid by the Corporation.

b) Investments

(in thousands)

	Investments		Investment Income	
	2000	1999	2000	1999
Province of Saskatchewan Bonds	$3,821	$3,253	$178	$193
Equity in SaskPen (1)	-	4,164	402	348

(1) SaskPen Properties Ltd. is a real estate corporation owned by Government of Saskatchewan managed public sector pension plans. In 2000, the Plan sold its holdings of SaskPen Properties Ltd. and is therefore no longer a shareholder. A gain of $0.2 million was realized on the sale.

7. ADMINISTRATION COSTS

The Superannuation (Supplementary Provisions) Act permits the Board to engage technical and professional advisers, specialists and consultants for the purposes of managing, investing and disposing of Plan assets, with the related costs to be paid by the Plan.

a) Administration

The costs to administer the Plan are borne by the Corporation and are therefore not reflected in the Plan financial statements. The costs typically paid for by the Corporation include audit, actuarial and consulting fees as well as general administration costs. However, investment management and custodial fees are paid by the Plan.

7. ADMINISTRATION COSTS (continued)

The Board has developed, with the assistance of its consultant, Towers Perrin, specific investment policies and guidelines to which the investment managers must adhere when making investment decisions. The consultant fees were paid by the Corporation.

b) Investment Management Services

Greystone Capital Management Inc., Jarislowsky Fraser Ltd., Templeton Management Limited, Perigee Investment Counsel Inc. and Newcastle Capital Management Inc. invested the monies of the Plan during the year, under a contract to provide services.

c) Custodian Services

The custodian for the Plan assets is responsible for the processing and handling of investment transactions. Custodian services were provided by CIBC Mellon Global Securities Services Company.

8. INVESTMENT PERFORMANCE

The investment manager makes the day-to-day decisions on whether to buy or sell specific investments in order to achieve the long-term performance objectives set by the Board. The Board reviews the investment performance of the Plan in terms of the performance of the benchmark portfolio over a rolling four-year period. The primary long-term investment performance objective for the entire portfolio is to out-perform a benchmark portfolio.

The following is a summary of the Plan's investment performance as provided by Towers Perrin:

	Annual Return		Rolling Four-Year Average Annual Return	
	2000	**1999**	**2000**	**1999**
Plan's actual rate of return	**9.3%**	12.7%	**12.7%**	14.8%
Target rate of return	**6.8%**	12.5%	**11.4%**	14.1%

9. COMPARATIVE FIGURES

Certain amounts for the prior year have been reclassified to conform with current year financial statement presentation.

POWER CORPORATION SUPERANNUATION PLAN

SCHEDULE OF INVESTMENTS

as at December 31

(in thousands)

	2000	1999
SHORT-TERM SECURITIES (Note 3)		
Canada	$ 11,074	$ 12,120
U.S.	68,953	71,396
	80,027	83,516
BONDS (Note 3)		
Government of Canada and federally guaranteed	187,169	167,562
Provincial and provincially guaranteed (Note 6)	67,840	60,505
Corporate	60,091	49,978
	315,100	278,045
EQUITIES (Notes 3 and 6)		
Canada	195,115	171,799
Foreign	137,395	159,806
	332,510	331,605
MORTGAGES		
Conventional	699	725
REAL ESTATE (Note 6)	-	7,670
	$728,336	$701,561

See accompanying notes